



Reading Your Credit Report

Getting copies of your credit reports is just the first step – you then have to read and understand the information included in each report.

Any serious inaccuracies on your credit report could reduce your credit rating or be a sign of identity theft. You'll also want to make sure that any potentially negative information has been removed in the timeframe mandated by law. Information about late payments, liens, suits, and judgments must be removed after seven years. Bankruptcies must be removed after ten years. Tax liens that were unpaid can remain for up to 15 years.

There are three credit bureaus and they each have a report on you: Experian, TransUnion, and Equifax. You need to review all three reports since each bureau assembles information about you in a different way, and information on one report may not be present on another. You can get copies of your reports for free once per year at the AnnualCreditReport.com website.

Sections of a Credit Report

There are several sections in all credit reports.

Section 1: Identifying Information

This section includes your name, Social Security number, current and previous addresses, birth date, driver's license number, telephone number, and even your employer.

Scan the information to make sure it is accurate, or at least mostly accurate. For example, the report may list a misspelling of your name or it may state that you live at an old address. Look out for addresses that you were never associated with or Social Security numbers that do not match – they could be signs of identity theft.

Section 2: Credit History

In this section, you will find the names of your current and past creditors, associated accounts, and your payment history.

Review the credit history section carefully, paying close attention to any potentially inaccurate information. Almost everyone misses an occasional payment, but repeated missed payments will lower your credit score, making it more difficult and expensive to get credit in the future. Information in this section typically remains on the credit report for approximately seven years.

Section 3: Public Records

This section includes finance-related legal proceedings such as bankruptcy, tax liens, foreclosures, repossessions, and judgments.

Needless to say, information in this section could have a major impact on your credit score. There's not much you can do about any public records you may have - continuing to pay all your bills on time and reducing the amount of credit you are using are good strategies for raising your credit rating.

Section 4: Credit Inquiries

Credit inquiries are occasions when your credit report has been opened for any reason. These inquiries may be "hard" or "soft." Hard inquiries are ones that you initiate by filling out an application for credit. Soft inquiries are those typically initiated by a lender who may want to include you in a "pre-approved" marketing program or they could be initiated by your current creditors to check for problems that may affect your creditworthiness.

Soft inquiries do not affect your credit score. Hard inquiries may affect your score, particularly if you initiate multiple new credit requests in a short amount of time.

Section 5: Other Information

Depending on the credit report and your personal situation, there may be other sections on your reports such as "Dispute File Information" and "Reason Codes." In the event you once disputed a negative item on your credit report, that information will be reported in the Dispute File Information section. Reason codes are tips that are intended to help you understand negative information on the report and offer advice on improving your credit.

You may also find a section on "Collection Accounts" – accounts that have been turned over to a collection agency. If you find collection accounts that are not yours, you will need to report it to the credit bureau.

If You Find an Error

Slightly outdated information is common on credit reports. What you need to look for are accounts that you did not open, inaccurate information about public records, and inaccurate payment information.

Each credit bureau has a process for addressing inaccurate information that you may initiate by using their website, a printed form, or by calling them.

If you suspect identity theft, you will want to place an immediate fraud alert in your file.

Visit PNConCampus.com for more information.